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Understanding Hayek

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Although some of this will be familiar to a number of you all, I will talk a bit about Friedrich A. Hayek since I am going first. I'll say a little bit about his life, how he came to the ideas that he became so famous for espousing, and then a little bit about his liberalism and the contribution he has made to liberal theory and to intellectual life.

Hayek was a European thinker from Austria whose career began as an economist. Although he won the Nobel Prize for economics in 1974, he had stopped doing economics for quite some time by that stage. He had turned his attention to politics much earlier when he decided to write *The Road to Serfdom*, which came out in 1944. He really never returned to economics, even though he wrote a number of economic pamphlets in that time.

As an economist, he wrote not as a new classical economist—someone interested in econometrics—but as someone who saw economics in the context of the history of ideas. Hayek wrote about economics because he was not only interested in technical questions such as the nature of trade cycles but also understanding how society functioned and explained through some sort of social theory. The economics that he developed flowed out of his broad interests in history, psychology, and what we now regard as sociology as well as the Austrian tradition of economics.

Hayek first came to prominence in the late 1920s and early 1930s as an economist because of some things that he wrote about trade cycles, which brought him to the attention of economist Lionel Robbins at the London School of Economics. He continued to receive attention in the 1930s because of the various disputes he had with John Maynard Keynes and, of course, for his contribution to what is now known as the Socialist Calculation Debate.

In the 1930s, socialism was in its intellectual heyday—it was a time when serious intellectuals believed that socialism and socialist central planning were real solutions to problems of economic organisation—that it was possible to redesign society along more rational lines to bring about a better world in which poverty was eliminated and economic production was on a more sound, more secure, and more rational footing. Hayek, along with his mentor Ludwig von Mises, in the 1930s did a great deal of work to show why socialism was technically impossible. Hayek showed that central planning, for all the good intentions of social planners and political leaders, was unlikely to lead to the kind of success that socialists anticipated.

It took some time, probably not until the 1970s and 1980s, before people realised that Hayek and von Mises' analyses were decisive and started to appreciate it. In fact, it was only in the 1990s that a number of socialists and economists started to say, 'we really need to go back and look at some of the things that Hayek and von Mises were saying.'

Early in his intellectual life, Hayek was not interested, other than in an indirect way, in questions of political philosophy. This changed in the 1930s when he was engaged in the Socialist Calculation Debate. Two developments were of critical importance. The first was obviously the rise of socialism, Stalinism in particular. Hayek, and almost everyone except for academics at universities, could see what was going on in the Soviet Union. He was horrified by the violations of human rights, but he could also see that this was a society on the verge of collapse. He was more worried, however, not about the collapse of economic life in the Soviet Union—that would take its own course—but that the ideas behind these enterprises would somehow become attractive and adopted in the West, eventually affecting its economic and political life.

Hayek became seriously aware of the effects of socialism, in part because he could see within Britain, where he was based, the ascendance of these ideas among fellow economists and intellectuals as evident from their writings. He became more concerned after the second important development in the 1930s—the rise of Hitler

and Nazism. He saw both these developments as a part of a similar movement, of the same stripe as socialism, and of people who wanted to try to control human life and society.

But in the case of the Nazis, it was even more dangerous because they had immediate imperial ambitions. And by the late 1930s, Hayek was convinced that the Nazis were going to make war. At this point, and right until the beginning of World War II, he decided that as a public intellectual he needed to take a stand and draw people's attention to this growing problem. This aspect of Hayek is little appreciated, but his correspondence in the 1930s, his papers, and his talks show how much he was concerned about the rise of Nazism. In fact, he started writing to the British government, and to the BBC, telling them to take notice of the seriousness of the growth of Nazism, and that the real problem lay in the fact that the Germans didn't understand what was happening to them and their country because the Nazis kept them in the dark.

In fact, in an interesting correspondence in the early years of the war, Hayek wrote to the BBC, saying he appreciated the job that they were trying to do but that their propaganda broadcasts were not up to scratch and they needed to try much harder. Significantly enough, he said that because the German people didn't know what was happening under the Nazis, it was the BBC's job to find out the truth. This meant finding out the truth, getting on board sympathetic German historians and intellectuals, and broadcasting the truth in Germany.

It is interesting to note that this was Hayek's conception of propaganda, and that propaganda didn't really become a dirty word until Goebbels used it. Until then, propaganda was no more than a technical term. Hayek's concern was making sure that the truth was told. This was what he did in the early years of the war, and it's on the basis of this experience that he decided to abandon economics and turn his attention to political process.

He had concluded by now that the triumph of Nazism and Stalinism, and even their defeat, and the resulting death of German intellectual and cultural life in the post-War period would endanger the civilisation of Europe itself.

So as an intellectual, he decided to do something about this. First, he embarked upon a new career as a political philosopher to revive and restate the philosophy of liberalism, which he thought of as the main intellectual alternative to socialism and totalitarianism. Second, he began the task of practical rebuilding of institutions through which intellectuals could interact with one another. He helped create the Mont Pelerin Society, which he hoped would bring together across Europe and the United States intellectuals of all stripes who were essentially opposed to totalitarianism.

Of course, he was criticised for this to some degree because some people at the end of the war were not interested in having anything to do with German scholars and considered them tainted. Others wanted a much purer intellectual movement—excluding those who were too far to the right and too catholic in interpreting liberalism or those who were too far to the left and too socialistic. Hayek's view was that it was necessary to build a broad church, because the main task was not to develop a pure doctrine but an intellectual alternative to totalitarianism, which meant a broad conception of liberalism.

And this is how we need to understand Hayek's liberalism, which he outlined beginning with *The Road to Serfdom* in 1944, *The Constitution of Liberty* in 1960, and his trilogy on law and legislation through the 1970s. He set out to build not only a little intellectual niche of ideas but a broad agenda of liberal thinking to which liberals of all kinds could contribute. So he was happy to accept people who were only vaguely sympathetic, even though some of them, Karl Popper, for example, were much more social democratic in outlook and really quite hostile to the free market in many respects.

But there was also a more libertarian or even anarchistic extreme of the liberal tradition. Thus, at the first session of the Mont Pelerin Society, both Popper and von Mises at different extremes stormed out of the meeting saying how they could not abide the socialists or anti-socialists, depending on where they stood.

Hayek's political attitudes were always moderate. He kept his eye on what he thought was the main game, which was the threat

posed by what he saw as a growing and, at that stage, undefeated menace—totalitarianism. This is what lay at the heart of Hayek's liberalism—a fairly broad church of political outlook with a history going back to the origins of the English Common Law and the development of early European systems of parliamentary government. It also went back to the more recent attempts to update liberal thinking and institutions, in the thought of the eighteenth century and in the ideas of the Founders of the United States.

Hayek saw liberalism as an evolving tradition but with a conceptual core, something he elaborated and developed in his political works. One idea that's central to this understanding of liberalism is his conception of liberal society as what he called an 'abstract order.'

It's quite a simple idea. Every society comprises people with different ends, desires and conceptions of what's valuable in life. Therefore, societies need rules to negotiate and interact with one another in a peaceful way and pursue their own distinctive ends. To ensure that these rules do not favour one particular person or group over another, they would have to have a certain kind of abstract quality, because when disagreements arise, people can appeal to the rule and the rule rules. The rule is not a tool by which to exercise power over others or win a preferred end at someone else's expense. The rule is something to which all defer.

But what happens when there are conflicts over how to interpret rules or their impact? Hayek responds by saying that an essentially liberal society appeals to ever more general rules that are ever more abstract. As society becomes more complicated, and as the system of rules becomes more elaborate, we get what he calls an abstract society.

The problem with the abstract society is that often the rules will generate outcomes that some people don't like, and the temptation is always to say, 'well, we should turn away from the rule because it's taking us in directions that we don't want to go.' To which the liberal replies, resist that temptation to do what we nowadays call 'targeting,' the temptation to say, 'that group is deserving, so let's target them for particular benefits because that's the right thing to do.'

Doing so would undermine the liberal order because it's essentially an abstract order. Hayek tried to elaborate this idea in political philosophy and by establishing the place of the state and government in a liberal political system.

Let me finish with this thought. Although he does say something about government and the state and their respective roles, what's striking about Hayek's thinking as elaborated in his theory of the abstract society is that these liberal institutions are not to be understood as subsuming society. Governments and states do not subsume society. They are simply elements or aspects of society.

What is society? Hayek says it's an order, an extended order of human cooperation. It does not have boundaries or limits. It simply has institutions that help regularise our interactions with one another. And in that respect, Hayek's conception of politics, of government, and of the political order, more generally, is striking because it's global and anti-nationalistic.